1945

NINETY-SECOND

ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

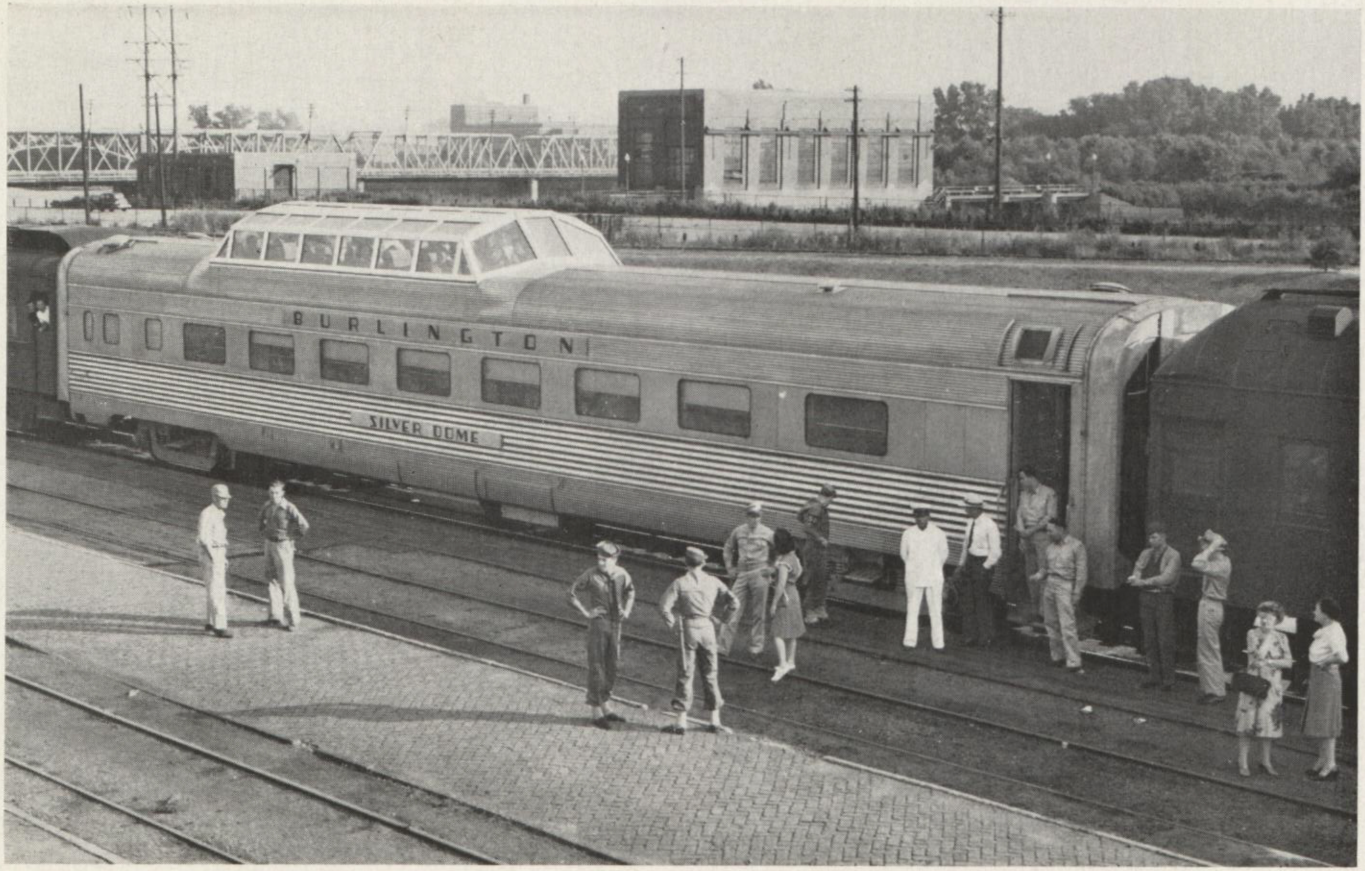
OF THE

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1945

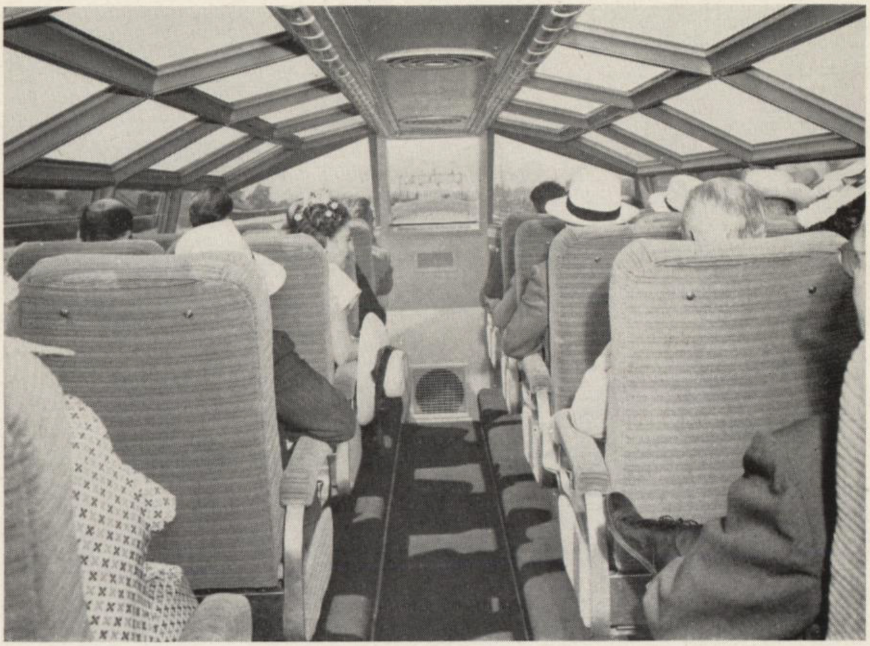
Burlington
Route

MRb BOARDS
652.0973
C4322r

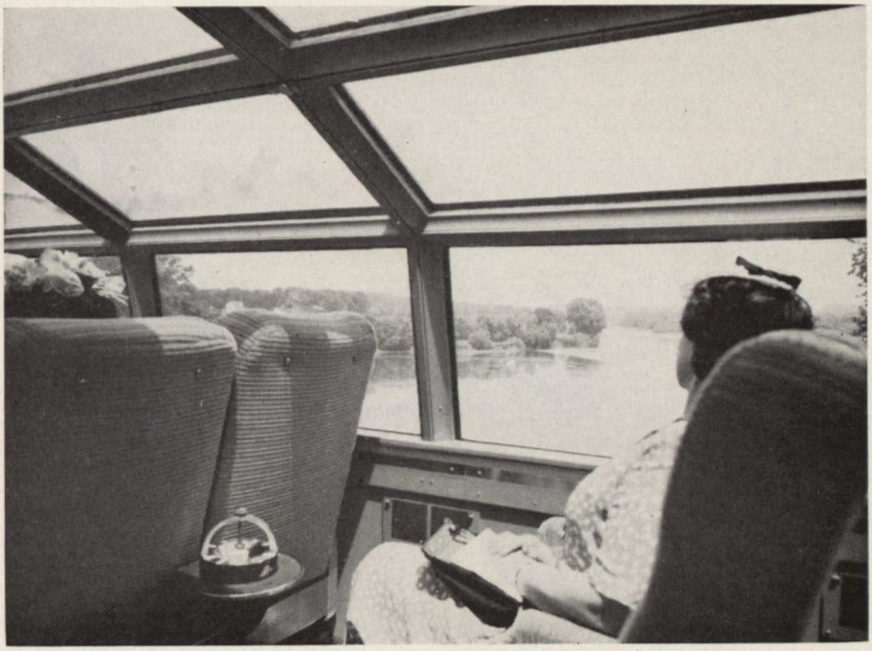


BURLINGTON
SILVER DOME

Burlington's demonstration coach with elevated, glass-enclosed Vista Dome at Ottumwa, Iowa



Photograph taken from rear of elevated section of Vista Dome car illustrating size and view ahead.



View from interior of Vista Dome showing unobstructed panorama enjoyed by passengers.

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FOR THE YEAR ENDED DECEMBER 31, 1945

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

DIRECTORS

Term expires 1946

J. C. JAMES..*Vice President and General Counsel*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

CHARLES I. STURGIS....................*Retired Vice President, Secretary and Treasurer*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

WALLACE C. WINTER.................*Associate*, Harris Upham & Co., Chicago, Ill.

Term Expires 1947

RALPH BUDD..*President*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

CHARLES E. DENNEY..*President*
Northern Pacific Railway Co., St. Paul, Minn.

FRANK J. GAVIN...*President*
Great Northern Railway Co., St. Paul, Minn.

Term expires 1948

HERBERT M. BUSHNELL...*President*
U. S. National Bank of Omaha, Omaha, Nebr.

EDWARD FLYNN...*Executive Vice President*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

R. DOUGLAS STUART...*President*
The Quaker Oats Co., Chicago, Ill.

EXECUTIVE COMMITTEE

RALPH BUDD..................Chairman

CHARLES E. DENNEY
EDWARD FLYNN
FRANK J. GAVIN
J. C. JAMES
R. DOUGLAS STUART
WALLACE C. WINTER

OFFICERS

RALPH BUDD	*President, Chicago*
EDWARD FLYNN	*Executive Vice President, Chicago*
J. C. JAMES	*Vice President and General Counsel, Chicago*
LAWRENCE R. CAPRON	*Vice President, Chicago*
HARRY C. MURPHY	*Vice President, Chicago*
HERBERT W. JOHNSON	*Vice President and Comptroller, Chicago*
KARL FISCHER	*Assistant to President, Chicago*
THOMAS J. THOMAS	*Assistant to President, Chicago*
ROY D. LONG	*General Purchasing Agent, Chicago*
BERT VICKERY	*Treasurer and Assistant Secretary, Chicago*
EDITH JARVIS ALDEN	*Secretary, Assistant Treasurer and Transfer Agent, Chicago*
ARTHUR D. McLANE	*Assistant Secretary, Chicago*
WALTER McFARLAND	*Assistant General Counsel, Chicago*
ELDON MARTIN	*General Solicitor, Chicago*
SHIRLEY L. PORTER	*General Auditor, Chicago*
HERBERT R. CLARKE	*Chief Engineer, Chicago*
WILLIAM W. HENDERSON	*Transfer Agent, Chicago*
NICHOLAS STOCKHAMMER HARRY F. SMITH	*Fiscal Agents, 2 Wall Street, New York*
GRACE W. WINTERS HELEN A. STORCH	*Transfer Agents, 2 Wall Street, New York*
STATE STREET TRUST COMPANY	*Fiscal Agent and Transfer Agent, State and Congress Streets, Boston*

The above were Directors and Officers as of December 31, 1945.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Highlights of Operations

	1945	1944	Increase
Operating Revenues	$242,542,798	$240,637,400	$1,905,398
Operating Expenses	$174,150,921 △	$145,854,303	$28,296,618
Operating Ratio	71.80%	60.61%	11.19%
Available for Fixed Charges	$35,672,974	$33,387,498	$2,285,476
Fixed Charges	$8,267,574	$8,740,376	$472,802†
Times Fixed Charges Earned	4.31	3.82	.49
Total Taxes	$30,248,889φ	$57,190,637	$26,941,748†
Net Income	$27,405,399	$24,647,122	$2,758,277
Dividend Paid	$10,250,322	$5,125,161	$5,125,161
Taxes per Share of Stock	$17.71	$33.48	$15.77†
Net Income per Share of Stock	$16.04	$14.43	$1.61
Dividend Paid per Share of Stock	$6.00	$3.00	$3.00
Average Number of Employes (Includes part time employes)	34,407	33,618	789
Total Wages	$89,476,860	$88,649,706	$827,154
Revenue Ton Miles	18,820,919,595	19,751,865,060	930,945,465†
Revenue Passenger Miles	2,116,701,416	2,220,707,327	104,005,911†
Miles of Road Operated-end of year	8,863.00	8,987.18	124.18†
Total outstanding Funded Debt including Equipment Obligations	$192,662,389#	$207,820,781*	$41,540,369‡

† Decrease. ‡ Three year reduction. φ See page 12.

△ Includes $22,112,933 unamortized cost of war facilities as of September 29, 1945.

Includes $3,457,000 outstanding First and Refunding 3¾% Bonds called for redemption February 1, 1946 for which cash has been deposited with Trustee of mortgage.

* Includes $9,458,100 outstanding First and Refunding 5% Bonds called for redemption February 1, 1945 for which cash had been deposited with Trustee of mortgage.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Report for the Year Ended December 31, 1945

FREIGHT TRAFFIC

Burlington freight revenue reached an all-time high of $183,286,915 in 1945, an increase of $2,833,263 over 1944, the previous high year.

Sources of Freight Traffic

	1945 Revenue*	Per cent of Total	Change from 1944
Products of Agriculture	$ 38,309,638	19.23	$7,013,547 Increase
Animals and Products	11,771,743	5.91	598,826 Decrease
Products of Mines	28,061,966	14.09	2,894,112 Decrease
Products of Forests	6,197,536	3.11	713,282 Decrease
Manufactures and Miscellaneous	105,045,164	52.72	1,610,372 Increase
Less Carload Freight	9,836,018	4.94	766,164 Increase
Total	$199,222,065	100.00	$5,183,863 Increase

*Gross freight revenue stated without adjustments for absorptions or corrections which bring the total to $183,286,915.

The increase of 22.4% in Products of Agriculture was due principally to a heavy movement of corn, while the decrease of 9.35% in Products of Mines was caused largely by less bituminous coal used in industrial and war plants after V-J Day.

Manufactures and Miscellaneous in 1945, as in 1944, accounted for the largest amount of revenue and continued to reflect the heavy wartime traffic.

PASSENGER TRAFFIC

Passengers carried one mile in 1945 were 2,116,701,416, a decrease of 104,005,911 compared with 1944, while passenger revenue in 1945 was $38,193,572, or $1,947,813 less than in 1944.

Passenger Military Movements

From the date of Pearl Harbor, December 7, 1941, to December 31, 1945, Burlington handled, in organized movements of military personnel, 3,101,790 men in 10,165 special trains and 1,479,922 men in 44,536 special cars on regular trains, a total of 4,581,712 men. December 1945 was the peak month with 174,371 men, divided 147,545 in 486 special trains and 26,826 in special cars.

Passenger Commutation Rates

A 10% increase to Chicago suburban carriers in commutation fares became effective April 25, 1945, following a decision by the

Illinois Supreme Court. The estimated increase in Burlington's annual commutation revenue is $100,000.

LAND GRANT RATES

On December 12, 1945, the President signed the Boren Bill (H.R. 694) which will permit the railroads, after October 1, 1946, to collect full commercial rates on certain classes of Government traffic now being carried at reduced "land grant rates."

VISTA DOME CAR

A stainless steel coach, remodeled in our Aurora Shops to embody an elevated, glass-enclosed "Vista Dome" accommodating 24 passengers, made its first trip in regular service between Chicago and the Twin Cities on July 23, 1945. Since then it has been used between Chicago and Lincoln, Chicago and San Francisco, and on other parts of the system.

The "Vista Dome" car met with such popular reception that five cars in each of the new Chicago-California trains and five cars in each of the new Chicago-Twin Cities trains will have similar features.

NEW PASSENGER TRAINS

During the year new lightweight passenger equipment, for delivery the latter part of 1946 or early in 1947, was ordered, as follows:

Two stainless steel seven-car Zephyr trains for operation between Chicago and the Twin Cities. Each train will consist of a combination baggage-buffet car, four coaches each with Vista Dome, a diner seating forty-eight, and parlor car with Vista Dome.

Burlington's mileage proportion (about 41%) of six Zephyr trains of ten cars each for new Chicago-San Francisco service in connection with the Denver & Rio Grande Western and Western Pacific Railroad Companies. These trains will traverse the Feather River Canyon and Colorado Rockies in the day time in both directions. Each train will consist of a baggage car, three coaches each with a Vista Dome, tourist sleeping car, a coffee shop-lounge-dormitory car with Vista Dome, a diner seating forty-eight, two standard sleeping cars with open sections, roomettes and bedrooms, and an observation-lounge room car with a Vista Dome.

Burlington will participate in providing equipment for new Great Northern and Northern Pacific trains to be operated between Chicago and the Pacific Northwest.

AGRICULTURE

The year 1945 was unusually favorable for crops in Burlington territory. Wheat production increased 19% over the good 1944 yield and 44% over the ten-year average (1935-1944). Production of oats increased 47% and barley 2%. Corn, due to a late spring and an early fall, was injured both as to yield and quality. Production was 15% below the record crop of 1944 but 33% over the ten-year average. The large increase in revenue and tonnage of corn in 1945 was due to movement of the 1944 bumper crop. Soybean production declined 2% compared with 1944 but was 125% greater than the ten-year average. Sugar beets increased 27% due to larger Government payments and increased labor in the field. Potato production increased 15% over 1944 and, due to improved farming practices, higher quality yield increased the percentage suitable for shipment.

Grain Held on Farms

Despite the heavy production in 1945, the amount of corn stored on farms decreased 22%, wheat in interior mills and elevators decreased 31%, and wheat stocks on farms decreased 10%, compared with 1944.

Prospects for 1946

Planting of winter wheat for harvest in 1946 increased 2%; increases in Nebraska, Colorado and Montana more than offset a decline in Illinois.

Snow in the mountains and water storage in reservoirs indicate adequate water supply in most irrigated districts for the coming year. The Colorado Transmountain Diversion Tunnel, designed to supply over 300,000 acre-feet of additional water to northern Colorado, was completed and is expected to begin operating late in 1946 or early in 1947.

The Reclamation Service has approved a new project on the Republican River in Colorado and Nebraska which would irrigate 54,000 acres in territory served exclusively by Burlington.

MAINTENANCE OF PROPERTY

While the manpower situation continued to be acute and there was a shortage of materials, the roadway, track and equipment were maintained in good and safe operating condition.

During the year the following work was done:

1,986,373 new creosoted cross ties placed in track.
66.94 miles of track relaid with new 131-pound rail.
193.89 miles of track relaid with new 112-pound rail.
112.50 miles of track relaid with secondhand 110, 100, 90 and 85-pound rail.
1,255,609 cubic yards of ballast applied.

Other rehabilitation work was done on tracks and structures to the extent that available manpower permitted.

IMPROVEMENTS

Net capital expenditures in 1945:

Road	$ 6,046,120
Equipment	4,906,526
General	Cr. 19,711
	$10,932,935

Track and Structures

Diesel shops were provided at Clyde (Chicago), Denver and West Burlington.

Freight yards at North La Crosse and Denver were enlarged and rearranged.

Curve reductions were completed at Hinckley and Stratford, Illinois, and similar reductions are under way at Greenwood, Nebraska, Tyrone, Iowa, and Callao, Missouri.

Carrier telephone and teletype channels are being installed over the entire railroad.

Equipment

Built in Company Shops:

255 40′ 6″ 50-ton steel sheathed box cars.
106 40′ 6″ 40-ton steel frame stock cars.
750 34′ 3″ 55-ton steel hopper cars.
100 29′ 3″ 70-ton steel covered hopper cars.

Built by Burlington Refrigerator Express Company, a Burlington subsidiary:

14 29′ 3″ 40-ton refrigerator cars.

Purchased:

10 4000 h.p. Diesel-electric passenger locomotives.
50 30-yard air dump cars.
2 30-ton Diesel-powered clam shells.
2 air-operated ballast spreaders.

On order, in addition to new passenger equipment, as stated on page 8:

10	1350 h.p. Diesel-electric freight locomotives.
28	1000 h.p. Diesel-electric switch locomotives.
5	stainless steel combination mail, baggage and express cars.
6	30-ton Diesel-powered clam shells.
1	ballast spreader.

CENTRALIZED TRAFFIC CONTROL

During 1945 C.T.C. was installed on 131 miles of main line between Hastings and McCook, Nebraska. Construction of additional C.T.C. is under way between McCook, Nebraska, and Akron, Colorado, 142 miles, and between Flag Center and Savanna, Illinois, 57 miles.

RADIO COMMUNICATION

Continuing tests of radio communication in cooperation with a producer of radio equipment, Burlington installed an experimental fixed radio station in its General Office Building in Chicago for testing between this station and twenty-two switch engines operating in the Chicago yards. Experimental carrier communication (through the rail) is in operation between two fixed stations and nine switch engines in the Galesburg hump yard; also between one fixed station and five engines at Lincoln.

Construction permits and a frequency assignment from the Federal Communications Commission contemplate two-way radio telephone communication between twenty-five switch engines operating in the Chicago terminals, and three principal yard offices.

BRANCH LINE ABANDONMENTS

During the year 122.70 miles of branch line operations were abandoned as follows:

Helvey to K.C.&O. Junction, 4.18 miles. Simultaneous with this abandonment, trackage rights over the Union Pacific Railroad between K.C.&O. Junction and Endicott, Nebraska, approximately 11.99 miles, were discontinued.

Humeston-Clearfield and Merle Junction-Clarinda, in Iowa, 84.71 miles.

Mt. Ayr to Grant City, Missouri, 21.82 miles.

Abandonment of these branch lines resulted in a credit to capital account of $2,666,392.

The application for authority to abandon the branch line between Burch and Osceola, Iowa, 53.15 miles, and to operate over tracks of the Chicago Great Western Railway Company between Burch and Afton Junction, Iowa, is pending before the Interstate Commerce Commission.

WAGES

During the year all of the Railroad Labor Organizations filed requests with all railroad companies for substantial increases in pay and some of the requests included changes in rules affecting pay. These requests were handled under the provisions of the Railway Labor Act resulting in agreements to submit to final determination in arbitration the requests for increases in wages of the labor organizations representing the non-operating employes, and the organizations representing conductors, firemen and switchmen.[1] Requests by the engineers and trainmen for increased wages and changes in rules resulted in the appointment of an Emergency Board by the President pursuant to the Railway Labor Act.[2]

AMORTIZATION OF COST OF WAR FACILITIES

Pursuant to the Presidential Proclamation of September 29, 1945, Burlington elected to charge $22,112,933, unamortized portion of the cost of facilities acquired or constructed to further the war effort, to operating expenses in 1945. These charges increased maintenance of way and structures expenses for the year by $4,623,552, and maintenance of equipment by $17,489,381, over what they otherwise would have been. This adjustment of amortization resulted in $18,530,956 reduction in Federal taxes for the years 1941 to 1945, inclusive, and for accounting purposes the entire reduction has been reflected in tax accruals for the year 1945.

TAXES

Taxes in 1945 were $30,248,889 compared with $57,190,637 in 1944, a decrease of $26,941,748. Federal income and excess profits taxes decreased $25,955,507 due largely to credit resulting from unamortized cost of war facilities charged to operating expenses and premiums in connection with refinancing.

Taxes took 12.47% of total operating revenue and were equivalent to $17.71 per share of capital stock.

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[1] These arbitration proceedings were concluded April 3, 1946 by an award of 16 cents an hour increase.

[2] The Emergency Board reported to the President April 18, 1946, recommending an increase of 16 cents an hour and some rule changes.

DIVIDENDS

Net income amounted to $16.04 a share of capital stock. Dividends totaling $6.00 a share were paid in 1945, the eighty-fourth consecutive year in which the Company has paid a dividend.

FINANCIAL

November 30, 1945, the Company sold $65,000,000 principal amount of First and Refunding Mortgage 3⅛% Bonds, Series of 1985, at 100.0399. Funds thus derived and $7,506,329 treasury cash were used to redeem and retire $30,000,000 principal amount of 3½% Collateral Trust Bonds due in 1969, and $39,493,000 First and Refunding Mortgage 3¾% Bonds, Series of 1974, the balance of the latter bonds, $507,000 principal amount, having been retired through operation of sinking fund, August 1, 1945.

On Invitations for Tenders dated November 26, 1945, the Company purchased $32,568,000 non-callable General Mortgage 4% Bonds due March 1, 1958, at 120% of the principal amount, and $17,339,900 presently non-callable First and Refunding Mortgage 4½% Bonds, Series B, due February 1, 1977, at 123% of the principal amount. Funds for these purchases were provided through the issue and sale on December 21, 1945, of $49,765,000 First and Refunding Mortgage, Series of 1970, 2⅞% Bonds at 100.13999, together with $10,765,985 treasury cash.

The total of $13,541,795 treasury cash used in payment of premiums in the four refunding operations and other expenses in connection therewith was deductible from taxable income and was reflected in tax accruals for the year 1945.

The Illinois Division Mortgage was released June 13, 1945, and the General Mortgage became a first lien on substantially the entire Railroad. As of December 31, 1945, there were $32,679,000 General Mortgage 4% Bonds, due March 1, 1958, outstanding with the public, and the balance of the bonds issued under the General Mortgage, which is now closed, are owned by the Company. Of such owned bonds, $142,762,000 are pledged under the First and Refunding Mortgage.

First and Refunding Mortgage Bonds are outstanding with the public as follows: $12,460,100, Series B, 4½% due February 1, 1977; $65,000,000, Series of 1985, 3⅛%; and $49,765,000, Series of 1970, 2⅞%; a total of $127,225,100. This amount added to the $32,679,000 General Mortgage Bonds makes a total of $159,904,100 Mortgage Bonds outstanding with the public, on which one year's interest would amount to $5,329,858.

During 1945 the Company reduced its funded debt, including equipment obligations, by $9,157,292, and interest charges by $1,254,014 a year.

At the close of 1945 the Company had $42,547,758 cash and cash assets, of which $26,065,500 was invested in U.S. Government securities.

EMPLOYE BENEFITS

The Group Hospital and Surgical Benefits Insurance Plan, providing insurance for employes and their dependents, was continued during the year.

The Relief Department paid out $677,001 during the year in disability and death benefits.

The Company paid Federal tax of $2,773,777 to provide for old age retirement of employes. The Company also paid a Federal Railroad Unemployment Insurance tax of $2,560,477.

PENDING LEGISLATION

There are pending in Congress the so-called Railroad Social Security Bills (H.R. 1362 and S. 293), which, if enacted would substantially increase the taxes of all railroad companies. The so-called Bulwinkle Bill (H.R. 2536), passed by the House and pending in the Senate, would, if enacted, relax the operation of the anti-trust laws in their application to railroads by extending the jurisdiction of the Interstate Commerce Commission in that respect.

PULLMAN COMPANY

Pursuant to a decree in a Government anti-trust suit, The Pullman Company elected to dispose of its sleeping car operations, and in December 1945 the Court approved sale thereof to a group of railroads, of which Burlington is a member. The Attorney General has appealed to the Supreme Court and pending a decision, the lower court has authorized The Pullman Company to continue operations for the railroad buying group.

BURLINGTON TRANSPORTATION COMPANY

Applications to the Interstate Commerce Commission for necessary authority for All American Bus Lines, Inc. to acquire 51% stock ownership in Burlington Transportation Company, except its truck operations, for an agreed price of $1,500,000, and for truck operations to be transferred to Burlington Truck Lines, Inc., a newly-formed wholly-owned subsidiary of the Burlington, were heard during the year.[1]

All American now operates from New York and other eastern cities, via Chicago and St. Louis, to Los Angeles and San Francisco through southwestern states. Burlington Transportation Company will be operated as a separate unit in the All American System, through the central western states.

Twenty-five new buses were placed in operation by Burlington Transportation Company in 1945 and fifty-five additional buses have been ordered for delivery in 1946.

The Bus Division had net income for the year 1945 of $715,586, compared with $693,819 in 1944.

The Truck Division operated at a deficit of $209,572 in 1945, compared with deficit of $52,667 in 1944.

COLORADO AND SOUTHERN LINES

During the year The Colorado and Southern Railway Company, pursuant to Plan of Adjustment, purchased at par from Reconstruction Finance Corporation, and retired, $1,000,000 principal amount of its Refunding and Extension Mortgage Bonds. This purchase reduced amount of Refunding and Extension Mortgage Bonds owned by Reconstruction to $17,500,000.

In 1945 Fort Worth and Denver City Railway Company paid $340,000 on its note to Reconstruction Finance Corporation, reducing the amount to $7,500,000.

GULF, MOBILE AND OHIO RAILROAD COMPANY

Burlington owns 12.21% of capital stock of the Gulf, Mobile and Ohio Railroad Company, which has taken steps to acquire the property of The Alton Railroad Company in reorganization of the latter. The Interstate Commerce Commission approved the proposed plan September 19, 1945 and it is now pending before the Federal Court in Chicago. This acquisition would extend the Gulf, Mobile and Ohio into Chicago from New Orleans and Mobile through St. Louis, with a line to Kansas City via Roodhouse.

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[1] The Interstate Commerce Commission approved the applications March 28, 1946.

EMPLOYES IN MILITARY SERVICE

To December 31, 1945, a total of 7,844 Burlington employes had entered service of the armed forces, and 1,801 had been released and re-entered Company service.

The 745th Railway Operating Battalion, known as "Burlington Battalion", in which 55 Burlington Lines officers and employes served, returned October 25, 1945, after nearly two years' service in northeast India operating a part of the Bengal-Assam Railroad on the supply line to China.

The Company is proud of the splendid war record of all its employes.

In honor of the memory of 166 Burlington men who gave their lives in World War II, a plaque bearing their names has been placed in the lobby of the General Office Building at Chicago, and a Memorial List is included in this report.

By order of the Board of Directors.

RALPH BUDD, President

In Memoriam—World War II

Wayne Burton Agnew
Reuben Gorman Allen, Jr.
Gilbert Edward Amos

Milton Raymond Bailey
Lansford Ernest Baker
Clifford Harold Barber
John Joseph Bednarcik
Richard David Bellis
Roy Willis Bender
Alvin Earl Billingsley
Robert Wallace Bollish
John Boor, Jr.
Raymond Eugene Bradley
Vernal Everett Bridgewater
LaVern Edwin Brockman
John Spencer Brown
Darrel Lee Buffington
Eugene Howard Burch

Lee Roy Joseph Cahill
Clayton Wallace Carlson
Robert Collin Carroll
Oliver Glenn Colbert
William Howard Conlon

Harley Francis Dempsey
Harry Lee Dolberg
John Lin Donahue
Patrick Henry Donohue
Theodore Kenneth Dorak
Ruben Dorn
Wayne Logan Drake

Paul Eugene Ebert
Carl Walter Eickhorst
George Eirick, Jr.
Thomas Michael Ennis
Giles Clayburg Ethington

Norman Edward Ferree
William George Fletcher
Harold Wayne Fohey
John Forst, Jr.
Elmer Eugene Fox
David Frank

Frank James Gerlach
John Everett Gettel
Gerald Otis Gill
Joe Ben Gonzales
John Henry Gotchall
Edward Douglas Graham, Jr.
Verne Loy Grant
Cornell Richard Greenwell
John Frederick Grote

Warren Wilbert Halverson
Vernon Fred Hass
Arnold Frederick Wm. Hawkins
Gerald Eldon Hayes
Paul Robert Heffner
Bernard Gilman Hemperley
Joseph George Hendrick, Jr.
Orris Elton Herr
Joseph Patrick Higgins
Farrell Edwin Hill
Robert Grant Hobbs
Ellsworth Dee Hoenshell
Lee Holmes
Vivian Irven Hoyle
Clarence Richard Hoyt

Melvin George Jensen
Richard LaVerne Jensen
Arnold Ever Johansen
Clarence Raymond Johnson
Frederick Holt Johnson
Dean Wilson Jones
Charles Merle Jordan
Hubert Lee Jordan

Gerald George Kalas
Elmer Gerret Kats
Woodfin Chiles Kerr
Emory Grant Kitchen
Hugh Patrick Kivlehan
William Lee Kizzire

Eugene Edward Landry
George William Lane
Eugene Odell Lee
Terrill Charles Lehman
Robert Henry Lewis

In Memoriam—World War II

Seymour Lieberman
Grover Paul Lietz

Ernest Carmen Maffia
Charles Frederick Manning
George Frank Marks
George Washington Marsh
Charles Maxwell Mathews
Roe Malcolm McCune
Edgar James McDowell
Philip McKee
James William McMenamy
Sheldon C. Mecomber
Herbert Stordock Miller
Grant Fritz Minder
Robert Vaughn Moore
Gerald Myers

Fred Martin Nayman
Billy O. Norman

Dean A. Oester
Weston Richard O'Kane
Harold Salvatore Ortoleva

Louis Gilmore Paladeau
Harry Dale Park
William Howard Peterson
Leland Roy Phernetton
Henry Otto Pieper
Louis Julius Pieper
Louis Piscoran, Jr.
John Francis Power

William Adelbert Rackmyer
Jack Virgil Ranz
Ralph Robert Reed
Harry Ervin Reeves
Van LeClare Reeves
Raymond Frederick Regelin
Halford Jackson Rhue
Paul Marion Riley
Norman Wayne Ringstmeyer
Francis Emmett Rippinger
Edward M. Rokosz

Aulton E. Roland
David Craig Ross

Walter Henry Schaer, Jr.
Virgil Otis Scott
George Edward Shiffer, Jr.
Harlan John Shoellhorn
Paul Edward Shoemyer
James Carroll Sipes
Anton Sirmer
Charles Earl Smith
Ralph George Snyder
Ervin George Starkel
Everett Max Stuermer
James Harold Suman
Albert Joseph Swiedler

Toralf Tasta
Arthur Howard Thompson
Darl Morgan Tinkham
James William Tintera
Paul Edward Traynor
Lawrence Melvin Trupp
Delmer George Tucker

Howard Bert Van Blair
Ralph Dan Van Etten
Howard Van Stedum
Elmer Arthur Varga
William Roy Vaughn

Jack Junior Waddell
Robert Ralph Wallace
Francis Arthur Walter
Carl Leon Walters
Everett Albert Weeks, Jr.
James Donald Welch
Vernon C. Welch
William Thomas Whitman
Cleo Whorton
Dwight Arthur Wilbanks
Blaine Bertrand Wilcox
Paul Keith Willey
Paul Le Roy Winthrop
Anthony Peter Witek

Samuel Robert Yeadon

COMPARATIVE STATEMENT OF INCOME, YEARS ENDED DECEMBER 31

Percent of Ry. Oper. Revenue	1945	RAILWAY OPERATING REVENUES	1944	Percent of Ry. Oper. Revenue
75.57	$183,286,915.37	Freight	$180,453,651.65	74.99
15.75	38,193,572.36	Passenger	40,141,385.47	16.68
2.35	5,708,592.69	Mail	5,728,868.74	2.38
2.59	6,287,921.18	Express	5,296,047.89	2.20
1.39	3,365,343.64	All other transportation	3,252,860.94	1.35
2.01	4,865,239.23	Incidental	4,933,218.08	2.05
.34	835,213.34	Joint facility	831,367.25	.35
100.00	242,542,797.81	Total railway operating revenues	240,637,400.02	100.00
		RAILWAY OPERATING EXPENSES		
19.73	*47,843,081.94	Maintenance of way and structures	40,175,260.33	16.70
21.42	†51,952,634.22	Maintenance of equipment	33,790,767.59	14.04
1.49	3,615,688.44	Traffic	3,450,556.20	1.43
26.24	63,650,498.56	Transportation	61,653,939.85	25.62
1.28	3,113,980.51	Miscellaneous operations	2,998,769.02	1.25
1.64	3,975,037.33	General	3,785,010.43	1.57
71.80	174,150,921.00	Total railway operating expenses	145,854,303.42	60.61
28.20	68,391,876.81	Net revenue from railway operations	94,783,096.60	39.39
	‡30,248,889.24	Railway tax accruals	57,190,636.77	
	38,142,987.57	Railway operating income	37,592,459.83	
	Dr. 1,598,413.47	Hire of equipment—Net	Dr. 2,373,365.79	
	Dr. 2,194,786.04	Joint facility rents—Net	Dr. 3,144,271.10	
	34,349,788.06	Net railway operating income	32,074,822.94	
		OTHER INCOME		
	773,686.28	Miscellaneous rent income	605,366.85	
	772,286.59	Dividends and miscellaneous interest	859,335.62	
	54,155.17	Miscellaneous income	49,407.32	
	1,600,128.04	Total other income	1,514,109.79	
	35,949,916.10	Total income	33,588,932.73	
		MISCELLANEOUS DEDUCTIONS FROM INCOME		
	96,715.91	Miscellaneous rents	83,651.09	
	4,207.15	Separately operated properties—Loss	13,544.94	
	176,019.53	Miscellaneous income charges	104,238.46	
	276,942.59	Total miscellaneous deductions	201,434.49	
	35,672,973.51	Income available for fixed charges	33,387,498.24	
		FIXED CHARGES		
	112,208.99	Rent for leased roads and equipment	92,269.85	
	7,428,308.76	Interest on funded debt	8,468,657.90	
	604,165.28	Interest on unfunded debt	28,690.54	
	122,891.01	Amortization of discount on funded debt	150,758.23	
	8,267,574.04	Total fixed charges	8,740,376.52	
	27,405,399.47	Net income after fixed charges	24,647,121.72	
		DISPOSITION OF NET INCOME		
	10,250,322.00	Dividend appropriations of income	5,125,161.00	
	$ 17,155,077.47	Balance of income transferred to earned surplus	$ 19,521,960.72	

Excess profits taxes accrued in 1945, $9,135,877.00; 1944, $37,193,159.00.

*1945 includes $4,623,551.60 and †$17,489,381.04 balance cost of war facilities unamortized as of September 29, 1945.

‡1945 includes a Federal income tax credit of $18,530,956.62 resulting from inclusion in operating expenses accelerated amortization of war facilities.

STATISTICS OF OPERATIONS

ITEMS	1945	1944
Average mileage of road operated	8,965.22	8,989.35
Actual miles road operated, end of year	8,863.00	8,987.18
TRAIN-MILES		
Freight	16,805,751	17,716,198
Passenger	15,470,510	14,839,500
Total transportation service	32,276,261	32,555,698
Work service	461,722	384,464
LOCOMOTIVE-MILES		
Freight	18,310,726	19,235,518
*Passenger	13,536,212	12,946,140
Train and yard switching	8,255,826	8,195,042
Total transportation service	40,102,764	40,376,700
Work service	972,410	905,468
CAR-MILES		
Loaded freight cars	643,818,605	665,809,761
Empty freight cars	307,885,461	331,595,715
Sum of loaded and empty	951,704,066	997,405,476
Caboose	17,531,692	18,093,122
Total freight cars	969,235,758	1,015,498,598
Coach and combination passenger cars	38,957,799	39,776,116
Sleeping and parlor	39,960,359	34,893,748
Club, lounge, dining and observation	8,274,725	8,601,339
Other	46,582,488	40,696,542
Total passenger cars	133,775,371	123,967,745
Total transportation service	1,103,011,129	1,139,466,343
Work service	3,629,140	2,822,890
FREIGHT SERVICE		
Tons—revenue freight	56,142,477	57,091,760
Tons—revenue and non-revenue freight	63,308,492	64,063,576
Ton-miles—revenue freight	18,820,919,595	19,751,865,060
Ton-miles—revenue and non-revenue freight	20,842,785,300	21,630,864,200
PASSENGER SERVICE		
Passengers carried—revenue	15,342,422	15,727,775
Passenger miles—revenue	2,116,701,416	2,220,707,327

*Excludes mileage of combination motor passenger cars:

1945—2,277,516
1944—2,230,124

STATISTICS OF OPERATIONS—Continued

ITEMS	1945	1944
AVERAGES PER MILE OF ROAD		
Freight-train miles	1,917	2,015
Passenger-train miles	2,225	2,131
Transportation service train-miles	3,600	3,622
Transportation service locomotive-miles	4,473	4,492
Freight service car-miles	110,539	115,497
Passenger service car-miles	19,236	17,801
Freight revenue	$20,903.36	$20,523.75
Passenger service train revenue	$ 7,355.71	$ 7,470.97
Operating revenues	$27,053.75	$26,769.17
“ expenses	$19,425.17	$16,225.23
Net operating revenue	$ 7,628.58	$10,543.94
Net railway operating income	$ 3,831.45	$ 3,568.09
Ton-miles—revenue freight	2,146,473	2,246,463
“ “ —all freight	2,377,061	2,460,169
Passenger-miles—revenue	304,365	318,872
AVERAGES PER TRAIN-MILE		
Loaded freight car-miles	38.31	37.58
Empty freight car-miles	18.32	18.72
Ton-miles—revenue freight	1,119.91	1,114.90
“ “ —all freight	1,240.21	1,220.97
Passenger train car-miles	8.65	8.35
Revenue passenger-miles	136.82	149.65
Freight revenue	$ 10.91	$ 10.19
Passenger service train revenue	$ 3.31	$ 3.51
Operating revenues	$ 7.51	$ 7.39
Operating expenses	$ 5.39	$ 4.48
Net operating revenue	$ 2.12	$ 2.91
AVERAGES PER LOADED FREIGHT CAR-MILE		
Ton-miles—revenue freight	29.23	29.67
“ “ —all freight	32.37	32.49
Freight revenue	$ .28469	$ .27103
AVERAGES PER CAR-MILE PASSENGER		
Passenger-miles—revenue	27.38	30.37
Passenger revenue	$ .49402	$ .54899
MISCELLANEOUS AVERAGES		
Miles hauled—revenue freight	335.23	345.97
“ “ —non-revenue freight	282.15	269.51
“ “ —all freight	329.23	337.65
“ carried—revenue passengers	137.96	141.20
Revenue per ton of freight	$ 3.26467	$ 3.16076
“ “ ton-mile of freight	$ .00974	$ .00914
“ “ passenger	$ 2.48941	$ 2.55226
“ “ passenger-mile	$ .01804	$ .01808
Operating ratio	71.80	60.61

INVESTMENT IN ROAD AND EQUIPMENT, YEAR 1945

Account		Additions and Betterments
Engineering		$ 938.00
Land for transportation purposes	Cr.	197,599.31
Other right of way expenditures		4,037.20
Grading	Cr.	177,319.00
Tunnels and subways		25,840.67
Bridges, trestles and culverts		75,021.80
Ties	Cr.	199,319.45
Rails		177,268.33
Other track material		599,351.56
Ballast		282,335.88
Track laying and surfacing		129,030.31
Fences, snow sheds and signs	Cr.	49,193.45
Crossings and signs	Cr.	67,041.93
Station and office buildings		250,447.34
Roadway buildings		149,936.22
Water stations	Cr.	7,487.25
Fuel stations		100,720.96
Shops and engine houses		1,583,184.77
Telegraph and telephone lines		560,215.75
Signals and interlockers		1,513,078.45
Power plants		17,258.40
Power transmission systems		19,544.88
Miscellaneous structures		156,243.34
Roadway machines		318,503.72
Roadway small tools		1,163.25
Public improvements—Construction		69,845.15
Shop machinery		630,080.90
Power plant machinery		80,034.51
Total expenditures for road		6,046,121.00
Steam locomotives		21,550.78
Other locomotives		3,662,672.17
Freight-train cars	Cr.	69,359.56
Passenger-train cars		931,327.54
Work equipment		328,815.03
Miscellaneous equipment		31,519.97
Total expenditures for equipment		4,906,525.93
Organization expenses	Cr.	3.29
General officers and clerks	Cr.	144.07
Law	Cr.	71.62
Stationery and printing	Cr.	10.70
Taxes	Cr.	75.74
Interest during construction	Cr.	19,368.28
Other expenditures—general	Cr.	37.87
Total general expenditures	Cr.	19,711.57
Grand total		$10,932,935.36

"Cr."—Credits due to retirements.

EQUIPMENT IN SERVICE

DESCRIPTION	Number on Dec. 31, 1944	Number Added During Year	Number Retired During Year	Number on Dec. 31, 1945	Average tractive power all locomotives and average capacity all freight cars
Locomotives—Steam	948	....	....	948	....
—Other	122	20	1	141	....
Total locomotives	1,070	20	1	1,089	54,301 Lbs.
Freight-train cars—Box cars	23,329	262	1,644	21,947	....
Flat cars	1,550	....	61	1,489	....
Stock cars	3,343	110	283	3,170	....
Gondola and Hopper	15,140	855	371	15,624	....
Caboose cars	619	18	8	629	....
All classes of freight-train cars	43,981	1,245	2,367	42,859	45.61 Tons
Passenger train cars—Coaches	340	....	15	325	....
Combination coach cars	52	....	3	49	....
Parlor cars	2	....	....	2	....
Dining cars	31	....	1	30	....
Club, lounge and observation cars	4	....	....	4	....
Postal cars	30	....	2	28	....
Baggage, express and other nonpassenger cars	378	201 ϕ	9	570	....
Total	837	201	30	1,008	....
Passenger rail motor cars:					
Combination coach cars	16	....	....	16	....
Other passenger-train rail motor cars	15	....	....	15	....
Total	31	....	....	31	....
Number of articulated Zephyr trains	6	1	....	7	....
Cars in articulated trains:‡					
Coaches	10	1	....	11	....
Combination coach cars	12	2	....	14	....
Parlor and sleeping cars	4	....	....	4	....
Other passenger-train cars	10	1	....	11	....
Total	36	4	....	40	....
All classes of passenger-train cars	904	205	30	1,079	....
Company service equipment:					
Officers' and business cars	16	....	....	16	....
Ballast cars	1,255	222	118	1,359	....
Derrick cars	4	....	....	4	....
Steam shovels	1	....	....	1	....
Wrecking cars	19	....	....	19	....
Other company service cars	3,264	282	218	3,328	....
All classes of company service cars	4,559	504	336	4,727	....
All classes of cars in service	49,444	1,954	2,733	48,665	....

OWNED EQUIPMENT LEASED

DESCRIPTION	Number Under Lease on Dec. 31, 1944	Number Leased During Year	Number Withdrawn from Lease During Year	Number Under Lease on Dec. 31, 1945
Diesel-electric locomotive†	....	1	....	1
Freight-refrigerator cars*	1,934	14	22	1,926
Freight-stock cars§	198	....	5	193
Passenger-refrigerator cars*	30	....	....	30
Zephyr train-cars†	4	5	4	5
Denver Zephyr-sleeping cars#	10	....	....	10

ϕIncludes 199 Passenger box cars reclassified from box cars.

‡10 cars not articulated.

*Leased to Burlington Refrigerator Express Company.

†Leased to Burlington-Rock Island Railroad Company.

§Leased to Fort Worth and Denver City Railway Company.

#Leased to Pullman Company.

GENERAL BALANCE SHEET

December 31, 1945

ASSETS

INVESTMENTS:		
Road and equipment property		$651,439,425.43
Improvements on leased property		115,808.78
Donations and grants		Cr. 2,513,218.25
Accrued depreciation—Road and equipment		Cr. 104,938,558.61
Accrued amortization of defense projects—Road and equipment		Cr. 37,220,546.09
Sinking funds		3,030.00
Capital and other reserve funds		3,716,830.83
Miscellaneous physical property		7,048,732.24
Investments in affiliated companies:		
Stocks	$26,830,549.34	
All other	10,677,808.08	37,508,357.42
Other investments:		
Stocks	4,318,514.50	
Bonds	4,268,500.00	
All other	1,020,288.08	9,607,302.58
Total investments (capital assets)		564,767,164.33
CURRENT ASSETS:		
Cash		16,071,787.06
Temporary cash investments		22,245,470.58
Special deposits		940,266.66
Traffic and car service balances—Dr.		12,162,761.62
Net balance receivable from agents and conductors		2,433,124.23
Miscellaneous accounts receivable		9,221,490.47
Material and supplies		16,713,891.00
Interest and dividends receivable		270,194.15
Accrued accounts receivable		12,668,521.24
Other current assets		482,570.16
Total current assets		93,210,077.17
DEFERRED ASSETS:		
Working fund advances		91,829.26
Other deferred assets		498,463.68
Total deferred assets		590,292.94
UNADJUSTED DEBITS:		
Prepayments		358,058.45
Discount on funded debt		905,339.58
Other unadjusted debits		2,367,088.36
Total unadjusted debits		3,630,486.39
Grand Total		$662,198,020.83

GENERAL BALANCE SHEET

December 31, 1945

LIABILITIES

CAPITAL STOCK:		
Common stock		$170,839,100.00
LONG-TERM DEBT:		
Funded debt unmatured (See Page 26):		
Total book liability	$351,187,000.00	
Less held by or for the company	179,125,900.00	
		172,061,100.00
Equipment obligations (See pages 26 and 27)		20,601,289.56
Amounts payable to affiliated companies		123,275.41
Total long-term debt		192,785,664.97
CURRENT LIABILITIES:		
Audited accounts and wages payable		12,395,286.19
Miscellaneous accounts payable		2,483,714.46
Interest matured unpaid		113,416.21
Unmatured interest accrued		2,205,122.60
Accrued accounts payable		15,058,167.41
Taxes accrued		23,146,037.40
Other current liabilities		2,011,590.06
Total current liabilities		57,413,334.33
DEFERRED LIABILITIES:		
Other deferred liabilities		481,602.15
UNADJUSTED CREDITS:		
Premium on funded debt		44,819.30
Insurance reserves		1,392,996.20
Other unadjusted credits		1,797,113.58
Accrued depreciation—leased property		14,277.55
Total unadjusted credits		3,249,206.63
SURPLUS:		
Unearned surplus		249,858.73
Earned surplus—appropriated		48,025,460.10
Earned surplus—unappropriated		189,153,793.92
Total surplus		237,429,112.75
Grand total		$662,198,020.83

CAPITAL LIABILITIES OF THE CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Designation of Obligation	Term		Total par value authorized	Total nominally or actually outstanding	Held by or for Company	Actually outstanding in hands of public	Dividends or Interest		
	Date of issue	Date of maturity					Rate	When payable	Dividends declared and interest accrued during year
CAPITAL STOCK	....	....	$170,839,100	$170,839,100	....	*$170,839,100	2½% 3½%	June 26 Dec. 24	$ 4,270,967.00 5,979,355.00
FUNDED DEBT UNMATURED									
General Mortgage	Mar. 2, 1908	Mar. 1, 1958	$178,414,000	$178,414,000	‡$145,735,000	$ 32,679,000	4	M. & S.	$ 2,609,848.44
First and Refunding Mortgage:									
Series B	Feb. 1, 1927	Feb. 1, 1977	30,000,000	30,000,000	17,539,900	12,460,100	4½	F. & A.	1,341,000.03
Series 1970	Aug. 1, 1944	Aug. 1, 1970	91,123,000	15,851,000	# 15,851,000	....	4½	F. & A.	....
Series 1974	Aug. 1, 1944	Aug. 1, 1974	40,000,000	3,457,000	....	(a) 3,457,000	3¾	F. & A.	1,492,078.13
Series 1985	Aug. 1, 1945	Aug. 1, 1985	65,000,000	65,000,000	....	65,000,000	3⅛	F. & A.	174,913.19
Series 1970	Aug. 1, 1945	Aug. 1, 1970	49,765,000	49,765,000	....	49,765,000	2⅞	F. & A.	39,742.88
Serial Collateral Trust Notes	Dec. 1, 1936	$700,000 Dec. 1 each year to 1946	7,000,000	700,000	....	700,000	2¼	J. & D.	30,187.50
Serial Collateral Trust Notes	Dec. 1, 1944	$500,000 each quarter to 1949	10,000,000	8,000,000	....	8,000,000	1½	Quarterly M.J.S.D.	136,250.00
Total Funded Debt Unmatured	....	....	$471,302,000	$351,187,000	$179,125,900	$172,061,100			$ 5,824,020.17
EQUIPMENT TRUST OBLIGATIONS									
Equipment Trust of 1936	May 1, 1936	$395,000 May 1 each year to 1946	$ 3,950,000	$ 395,000	....	$ 395,000	2½	M. & N.	$ 13,166.68
Equipment Trust of 1937	Oct. 1, 1937	$365,000 Oct. 1 each year to 1947	3,650,000	730,000	....	730,000	2½	A. & O.	25,093.75
Equipment Trust of 1941	Aug. 1, 1941	$499,000 Aug. 1 each year to 1948	9,387,000	1,497,000	....	1,497,000	1½	F. & A.	26,821.25
Equipment Trust of 1944	Nov. 1, 1944	$ 38,000 each quarter to Nov. 1954	1,520,000	1,368,000	....	1,368,000	1⅞	Quarterly F.M.A.N.	26,948.84

CONDITIONAL SALE CONTRACTS									
National Bank of Detroit....	Apr. 29, 1940	Monthly to Nov. 1948	$ 592,806	$ 217,390	....	$ 217,390	1¾	Monthly	$ 4,383.72
Harris Trust and Savings Bank of Chicago..........	Aug. 28, 1940	Quarterly to Sept. 1950	2,444,117	1,216,914	....	1,216,914	2¼	Quarterly M.J.S.D.	30,549.75
National Bank of Detroit....	Dec. 19, 1940	Monthly to Feb. 1951	2,277,453	1,222,797	....	1,222,797	1⅝	Monthly	21,551.47
Manufacturers Trust Co., New York, N. Y..........	Feb. 28, 1941	Monthly to May 1951	815,098	456,122	....	456,122	2	Monthly 19th	10,026.78
The Northern Trust Co., Chicago and S. A. Weaver..	Mar. 8, 1941	Monthly to Dec. 1949	5,142,510	2,558,898	....	2,558,898	1¾	Monthly	49,936.58
First National Bank of Chicago	May 1, 1941	Quarterly to May 1948	5,404,948	1,750,000	....	1,750,000	2	Quarterly F.M.A.N.	41,416.68
First National Bank of Chicago	Jan. 15, 1944	Quarterly to Oct. 1954	7,110,720	6,399,648	....	6,399,648	2	Quarterly J.A.J.O.	133,326.00
First National Bank of Chicago	Oct. 1, 1945	Monthly to Oct. 1955	2,836,800	2,789,520	....	2,789,520	1.59	Monthly	5,986.59
Total Equipment Obligations.			$ 45,131,452	$ 20,601,289	....	$ 20,601,289			$ 389,208.09
Total Funded Debt and Equipment Obligations.....			$516,433.452	$371,788,289	$179,125,900	$192,662,389			$ 6,213,228.26ϕ

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*Includes $400 scrip on which no dividends are paid.

‡Includes $142,762,000 pledged under First and Refunding Mortgage, $875,000 as collateral security for Serial Collateral Trust Notes (1936) and $2,000,000 pledged as collateral to secure performance by The Colorado and Southern Railway Company of obligations under agreement with Reconstruction Finance Corporation in connection with extension of maturity of its Refunding and Extension Bonds, May 1, 1935 to January 1, 1955.

#Includes $12,000,000 pledged as collateral security for Serial Collateral Trust Notes dated December 1, 1944.

ϕExcludes interest on Bonds called for redemption as follows:

First and Refunding Mortgage, Series A, February 1, 1945	$ 166,666.67
Collateral Trust Bonds of 1969, January 15, 1946	1,050,000.00
Illinois Division Mortgage, January 1, 1945 (adjustment) Cr.	1,586.17
	$1,215,080.50

(a) Called for redemption February 1, 1946 and funds for payment of principal, interest and premium deposited with Trustee November 30, 1945. Net decrease in principal of bonds, collateral trust notes and equipment obligations during the year amounted to $9,157,292 (see page 28).

CHANGES IN CAPITAL LIABILITIES IN 1945

	Increase	Decrease
Bonds redeemed or accepted on invitation of tenders		
General Mortgage Bonds 4%		$ 32,568,000
First and Refunding 4½% Bonds Series B		17,339,900
First and Refunding 3¾% Bonds Series of 1974		40,000,000†
Collateral Trust Bonds 3½%		30,000,000
Principal of notes retired		
Collateral Trust Notes 1½% (1945-1949)		2,000,000
Collateral Trust Notes 2¼% (1937-1946)		700,000
Equipment Trust of 1936		395,000
Equipment Trust of 1937		365,000
Equipment Trust of 1941		499,000
Equipment Trust of 1944		152,000
Equipment Conditional Sale Contracts		2,716,552
Securities issued		
First and Refunding Bonds 3⅛% Series of 1985	$ 65,000,000	
First and Refunding Bonds 2⅞% Series of 1970	49,765,000	
Conditional Sale Contract, October 1, 1945	2,813,160	
	$117,578,160	$126,735,452
Net Decrease		$ 9,157,292

†Includes $3,457,000 outstanding First and Refunding 3¾% Bonds of 1974 called for redemption February 1, 1946, for which cash was deposited with Trustee of Mortgage, November 30, 1945.

DESCRIPTION OF MORTGAGES

General Mortgage

This mortgage is a first lien on 7,763.82 miles of this Company's main and branch lines, including terminals, property and equipment appurtenant thereto, situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana.

This mortgage is also secured by deposit with the trustee of 305,262 shares of the capital stock of The Colorado and Southern Railway Company.

No provision in mortgage for redemption of bonds. No additional bonds can be issued.

First and Refunding Mortgage

This mortgage is a lien on 8,243.05 miles of this Company's main and branch lines situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana, and on all terminals, property and equipment appurtenant thereto; subject to the prior lien of the General Mortgage described above on 7,763.82 miles.

As further security for bonds issued under this mortgage, there are pledged $142,762,000 General Mortgage Bonds; also all right and title of this Company to the owned stock, of bridge, depot and terminal companies, and of the Davenport, Rock Island and North Western Railway Company; and also owned stock of The Colorado and Southern Railway Company, subject to prior lien of the General Mortgage on 305,262 shares.

Bonds issued under this mortgage may be redeemed at election of the Company on sixty days' notice, on any interest date, as follows:

Series B redeemable as a whole at 105 and accrued interest, February 1, 1952, to August 1, 1966; at 103 and accrued interest, February 1, 1967, to August 1, 1976.

Series of 1970 4½%. Bonds are callable in whole or in part on any interest date at par and accrued interest.

Series of 1970 2⅞%. Bonds may be redeemed as a whole or in part, on any interest payment date at 105¾ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1969, after which date callable at par; in each instance with accrued interest.

Series of 1985 may be redeemed as a whole or in part, on any interest date at 105½ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1982, after which date callable at par; in each instance with accrued interest.

An annual sinking fund of $248,825 for redemption of Series of 1970 2⅞% Bonds is payable to Trustee on or before May 1 each year, beginning May 1, 1946. For such redemption, prices are 102¾ August 1, 1945 to July 31, 1949, reduced periodically to August 1, 1969, and thereafter at par; plus accrued interest in each instance.

An annual sinking fund of $325,000 together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year, is payable to the Trustee before May 1 in each year beginning May 1, 1946, for redemption of the Series of 1985 Bonds. Redemption prices are 102½ August 1, 1945 to July 31, 1949, with periodical reductions to August 1, 1982, and par thereafter; plus accrued interest in each case.

MILEAGE

Owned	Miles of Road	Second Track	Third Track	Fourth Track	Yard Tracks and Sidings*	Total
Colorado	395.43	.52			168.87	564.82
Illinois	1,615.41	388.39	40.89	5.43	1,047.77	3,097.89
Iowa	1,054.52	249.58			290.47	1,594.57
Kansas	221.83				23.40	245.23
Minnesota	23.09	2.71			36.90	62.70
Missouri	1,161.97	112.64			393.23	1,667.84
Montana	134.36				50.40	184.76
Nebraska	2,673.16	29.47			786.53	3,489.16
South Dakota	168.16				56.84	225.00
Wisconsin	220.25	212.84			64.93	498.02
Wyoming	677.78				218.40	896.18
Total	8,345.96	996.15	40.89	5.43	3,137.74	12,526.17
Operated under lease or contract	517.04	125.54	.76	.76	421.64	1,065.74
Grand Total	8,863.00	1,121.69	41.65	6.19	3,559.38	13,591.91

*Includes yard tracks and sidings owned but not operated as follows:
Illinois 1.11 miles, Iowa .71 miles, total 1.82.

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31

	1945	1944	INCREASE	DECREASE
RAILWAY OPERATING REVENUES—				
TRANSPORTATION:				
Freight	$183,286,915.37	$180,453,651.65	$ 2,833,263.72	
Passenger	38,193,572.36	40,141,385.47		$ 1,947,813.11
Baggage	75,636.80	62,669.69	12,967.11	
Parlor and chair car	152,760.81	153,417.30		656.49
Mail	5,708,592.69	5,728,868.74		20,276.05
Express	6,287,921.18	5,296,047.89	991,873.29	
Other passenger-train	519,105.53	429,165.77	89,939.76	
Milk	217,591.12	218,254.36		663.24
Switching	2,400,249.38	2,389,353.82	10,895.56	
Total	$236,842,345.24	$234,872,814.69	$ 1,969,530.55	
INCIDENTAL:				
Dining and buffet	$ 2,349,470.79	$ 2,394,017.63		$ 44,546.84
Hotel and restaurant	252,047.90	186,646.63	$ 65,401.27	
Station and train privileges	93,626.30	75,187.19	18,439.11	
Parcel room	8,615.05	9,930.09		1,315.04
Storage—Freight	15,789.70	12,293.47	3,496.23	
Storage—Baggage	11,491.94	12,048.22		556.28
Demurrage	537,454.29	577,698.17		40,243.88
Telegraph and telephone	223,436.80	216,736.94	6,699.86	
Stockyard	243,128.47	346,157.44		103,028.97
Power	146,399.11	93,707.47	52,691.64	
Rents of buildings and other property	241,436.85	261,138.01		19,701.16
Miscellaneous	742,342.03	747,656.82		5,314.79
Total	4,865,239.23	4,933,218.08		67,978.85
Joint facility—Cr.	845,829.04	837,815.07	8,013.97	
Joint facility—Dr.	Dr. 10,615.70	Dr. 6,447.82		4,167.88
Total	835,213.34	831,367.25	3,846.09	
Total railway operating revenues	$242,542,797.81	$240,637,400.02	$ 1,905,397.79	

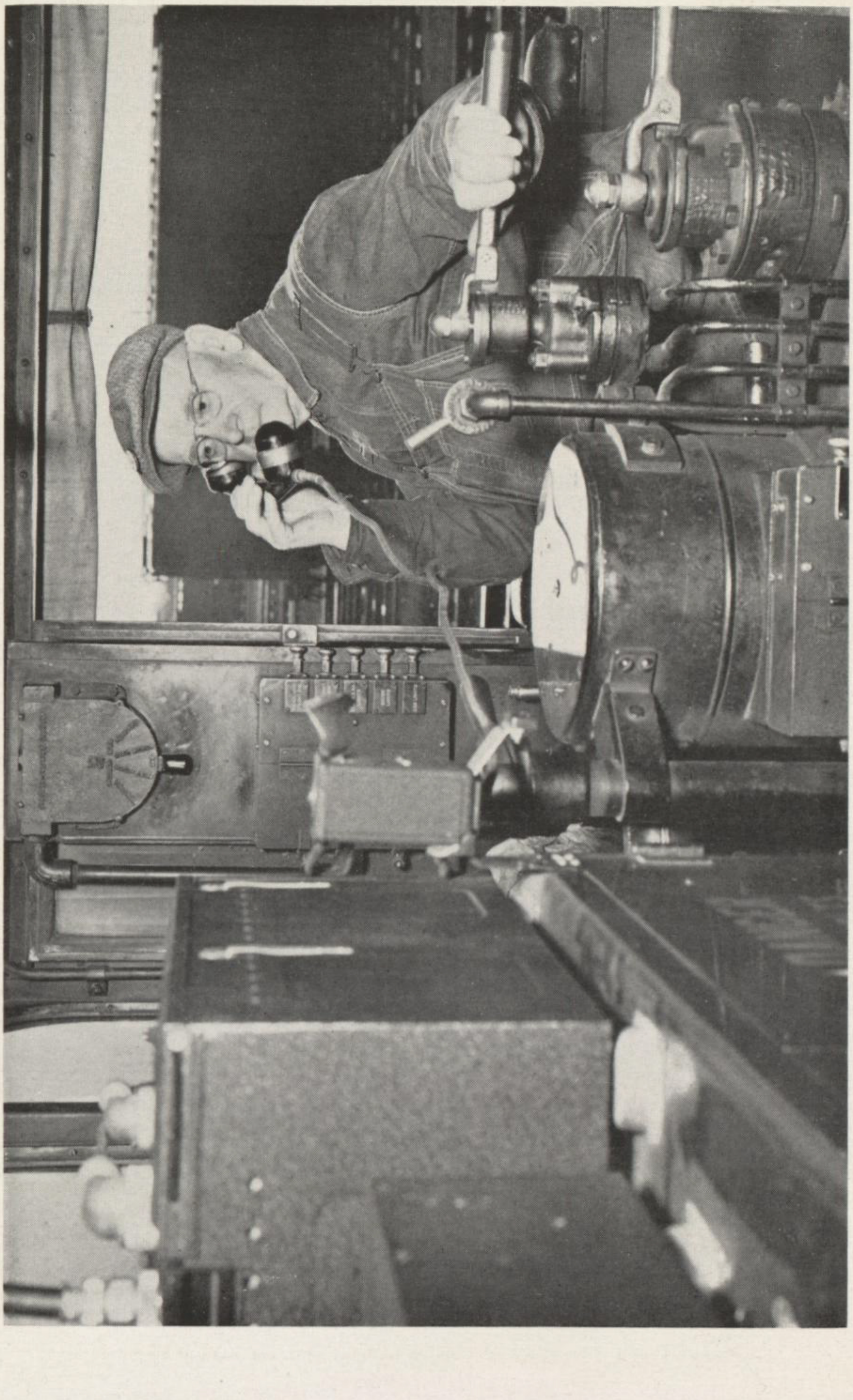
RAILWAY OPERATING EXPENSES—				
Maintenance of way and structures (See Page 12)	$ 47,843,081.94	$ 40,175,260.33	$ 7,667,821.61	
Maintenance of equipment (See Page 12)	51,952,634.22	33,790,767.59	18,161,866.63	
Traffic	3,615,688.44	3,450,556.20	165,132.24	
Transportation	63,650,498.56	61,653,939.85	1,996,558.71	
Miscellaneous operations	3,113,980.51	2,998,769.02	115,211.49	
General	3,975,037.33	3,785,010.43	190,026.90	
Total railway operating expenses	$174,150,921.00	$145,854,303.42	$ 28,296,617.58	
Operating Ratio	71.80	60.61	11.19	
Net revenue from railway operations	$ 68,391,876.81	$ 94,783,096.60		$ 26,391,219.79
Railway tax accruals (See Page 12)	$ 30,248,889.24	$ 57,190,636.77		$ 26,941,747.53
Railway operating income	$ 38,142,987.57	$ 37,592,459.83	$ 550,527.74	
RENT INCOME				
Rent from equipment	$ 793,332.43	$ 763,704.72	$ 29,627.71	
Joint facility rent income	694,818.92	678,371.32	16,447.60	
Total rent income	$ 1,488,151.35	$ 1,442,076.04	$ 46,075.31	
RENTS PAYABLE				
Rent for equipment	$ 2,391,745.90	$ 3,137,070.51		$ 745,324.61
Joint facility rents	2,889,604.96	3,822,642.42		933,037.46
Total rents payable	$ 5,281,350.86	$ 6,959,712.93		$ 1,678,362.07
Net rents	Dr. $3,793,199.51	Dr. $5,517,636.89		$ 1,724,437.38
Net railway operating income	$ 34,349,788.06	$ 32,074,822.94	$ 2,274,965.12	

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31—Continued

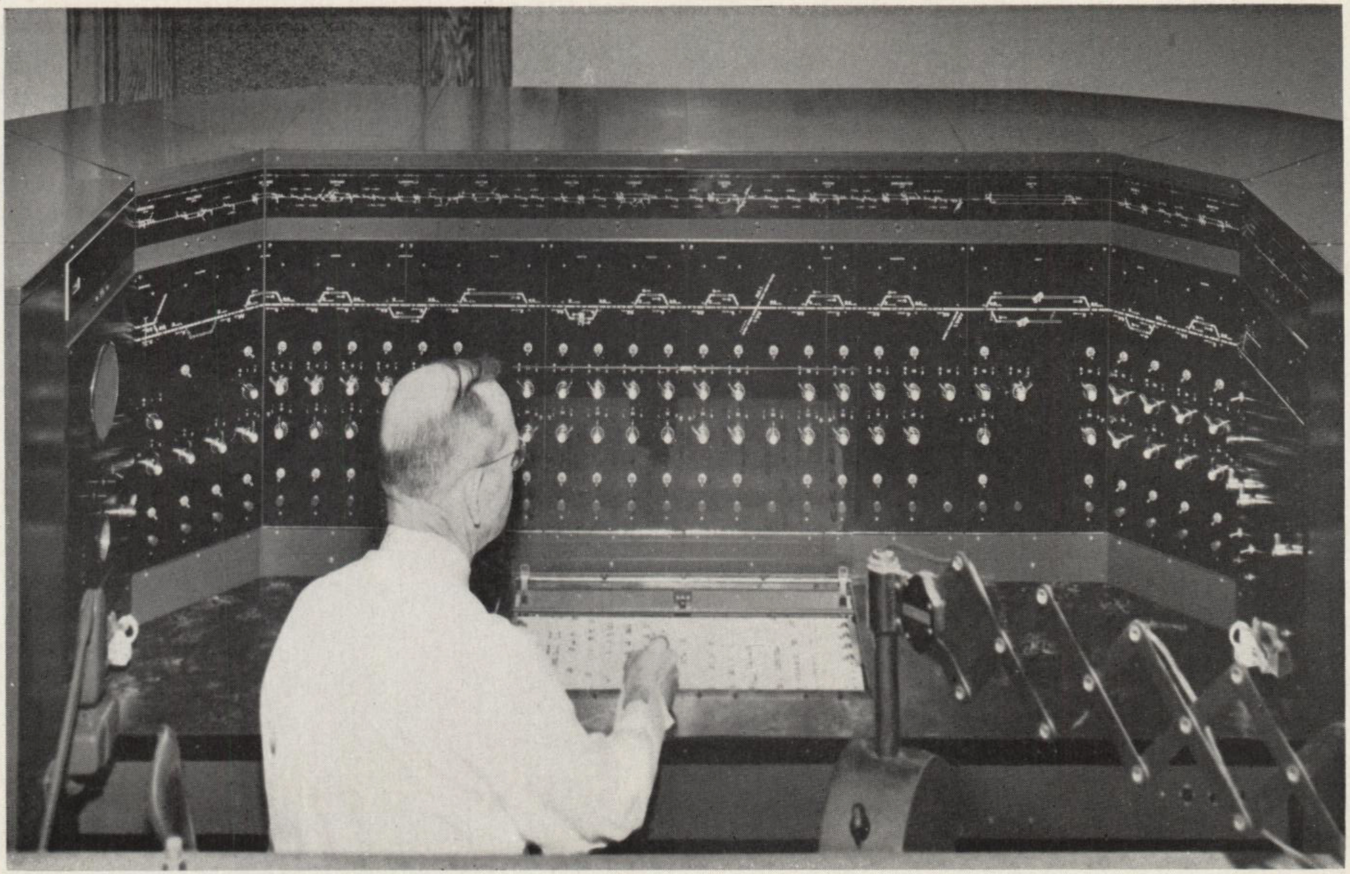
	1945	1944	INCREASE	DECREASE
OTHER INCOME				
Income from lease of road and equipment	$ 212,255.99	$ 193,026.80	$ 19,229.19	
Miscellaneous rent income	430,592.52	501,885.53		$ 71,293.01
Miscellaneous nonoperating physical property	130,837.77	Dr. 89,545.48	220,383.25	
Dividend income	119,089.30	237,826.53		118,737.23
Income from funded securities	296,451.04	322,852.65		26,401.61
Income from unfunded securities and accounts	356,746.25	298,656.44	58,089.81	
Release of premiums on funded debt	5,386.69	7,705.05		2,318.36
Miscellaneous income	48,768.48	41,702.27	7,066.21	
Total other income	$ 1,600,128.04	$ 1,514,109.79	$ 86,018.25	
Total income	$ 35,949,916.10	$ 33,588,932.73	$ 2,360,983.37	
MISCELLANEOUS DEDUCTIONS FROM INCOME				
Miscellaneous rents	$ 28,139.99	$ 24,063.87	$ 4,076.12	
Miscellaneous tax accruals	68,575.92	59,587.22	8,988.70	
Separately operated properties—Loss	4,207.15	13,544.94		9,337.79
Miscellaneous income charges	176,019.53	104,238.46	71,781.07	
Total miscellaneous deductions	$ 276,942.59	$ 201,434.49	$ 75,508.10	
Income available for fixed charges	$ 35,672,973.51	$ 33,387,498.24	$ 2,285,475.27	
FIXED CHARGES				
Rent for leased roads and equipment	$ 112,208.99	$ 92,269.85	$ 19,939.14	
Interest on funded debt	7,428,308.76	8,468,657.90		$ 1,040,349.14
Interest on unfunded debt	604,165.28	28,690.54	575,474.74	
Amortization of discount on funded debt	122,891.01	150,758.23		27,867.22
Total fixed charges	$ 8,267,574.04	$ 8,740,376.52		$ 472,802.48
Net income	$ 27,405,399.47	$ 24,647,121.72	$ 2,758,277.75	
Dividend appropriations of income	$ 10,250,322.00	$ 5,125,161.00	$ 5,125,161.00	
Balance of income transferred to earned surplus	$ 17,155,077.47	$ 19,521,960.72		$ 2,366,883.25

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT FOR YEARS ENDED DECEMBER 31

	1945	1944	Increase	Decrease
Credits:				
Credit balance at beginning of year	$188,661,691.08	$174,394,138.87	$ 14,267,552.21	....
Credit balance transferred from income	17,155,077.47	19,521,960.72	....	$ 2,366,883.25
Miscellaneous credits	41,579.89	122,485.64	....	80,905.75
Total	$205,858,348.44	$194,038,585.23	$ 11,819,763.21	....
Debits:				
Miscellaneous debits	$ 16,704,554.52	$ 5,376,894.15	$ 11,327,660.37	....
Credit balance carried to balance sheet	189,153,793.92	188,661,691.08	492,102.84	....
Total	$205,858,348.44	$194,038,585.23	$ 11,819,763.21	....



Engineer Jim Gregory in cab of Diesel switching locomotive in Chicago yards talking by radio telephone with yard office.



Centralized traffic control board at Lincoln, which operates signals and switches over 98-mile section between Lincoln and Hastings.

1945

Burlington
Route